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PRESS RELEASE

HEALTH AND HUMAN SERVICES AGENCY

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Medi-Cal Growth Unsustainable at Current Levels ***Governor Schwarzenegger's Plan to Redesign Medi-Cal Protects Eligibility While Containing Costs***

SACRAMENTO – A study released today by the Public Policy Institute of California (PPIC) reinforces the need for Governor Schwarzenegger's proposed redesign of Medi-Cal to control the rapid growth of the program and maintain access to quality care. A cornerstone of Medi-Cal redesign is to expand the use of managed care for seniors and the aged, blind and disabled.

The PPIC study projects that, without reform, Medi-Cal expenditures will grow by 8.5 percent annually for the next 10 years, outpacing a 6 percent growth rate for state revenues. As a result, Medi-Cal's demand on the General Fund will increase from \$13 billion to \$29 billion over the next 10 years, with the overall program costing nearly \$80 billion. By 2015, Medi-Cal will consume 21 percent of the General Fund, up from 15 percent in 2003.

"The PPIC study underscores the necessity of Governor Schwarzenegger's Medi-Cal redesign," said California Health and Human Services Agency Secretary Kim Belshé. "Left unchecked, Medi-Cal will consume a growing share of the state General Fund, risking vital health services to those most in need."

The study notes that although California has a slower growth rate than other states because of cost containment efforts, "it is unlikely that containment efforts can be sustained without affecting access to care," and that, "effective strategies to contain costs will require difficult choices."

"The future of Medi-Cal is threatened by spiraling costs," Belshé said. "In order to protect other essential programs and eligibility in this vital program over the long term, Medi-Cal must find a way to provide much-needed services while ensuring that the services are delivered as effectively and efficiently as possible."

Additionally, the PPIC study found that 94 percent of Medi-Cal expenditures were attributed to services for only 25 percent of enrollees in 2003. Most of these beneficiaries are aged, blind and disabled with chronic health conditions who currently participate in Medi-Cal's fee-for-service program, instead of a more organized system of care. Often, these enrollees do not seek preventive health care and end up receiving services through highly expensive hospital visits.

"For more than 22 years, Medi-Cal has successfully provided quality managed care to seniors and the aged, blind and disabled through County Organized Health Systems currently operating in eight counties. By transitioning additional high-cost fee-for-service Medi-Cal enrollees to managed care, we will see better health outcomes and lower costs," Belshé continued.

Medi-Cal provides medical services to 6.6 million low-income and disabled Californians at an annual budget of more than \$34 billion.

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